

MBONAMBI MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS



FOR THE YEAR
ENDED 30 JUNE 2008

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**MBONAMBI MUNICIPALITY
GENERAL INFORMATION**

MEMBERS OF THE EXECUTIVE COMMITTEE

Cllr G.G.G. Mthethwa
Cllr B.T. Mngayi
Cllr F.P.B. Mpongose

Mayor
Deputy Mayor

Cllr. E.M. Mthethwa
Cllr. T.M. Biyela

SPEAKER OF COUNCIL

Cllr. J.M. Zulu

MUNICIPAL MANAGER

Mr M.H. NKOSI

CHIEF FINANCIAL OFFICER

Mrs C.N. NGEMA

GRADING OF THE LOCAL MUNICIPALITY

Grade 2

(As per councilor remuneration grading)

AUDITORS

The Auditor-General

BANKERS

ABSA

REGISTERED OFFICE

Municipal Building
25 Bredellia Street
KwaMbonambi

Private Bag x 96
KwaMbonambi
3915

Telephone: (035) 580 1421
Fax No: (035) 580 1141
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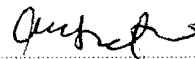
APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 2 to 23 were approved by the Municipal Manager on 30 June 2008.



MUNICIPAL MANAGER

M.H. Nkosi (effective 01 July 2002)



CHIEF FINANCIAL OFFICER

CN Ngema (effective 01 June 2002)

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF THE MBONAMBI LOCAL MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2008

The report will be included once the audit is completed by the Office of the Auditor-General.

MBONAMBI MUNICIPALITY
FOREWORD

It gives me great pleasure to report to Council and to the public at large that our administration has been highly successful in meeting the development goals which we have set for ourselves and which have been set for us by the state in terms of the policies which empower local government since 2000. This local authority has a multitude of tasks. It is enjoined to implement government development policies at local level and for this purpose the state does extend funding in the form of what is known as the equitable share.

It is our considered contention that while this funding is indispensable it will have to be increased if we are to meet the goals set for local development. As has been my custom since becoming Mayor, I continue to take personal interest in all developments at Ward level. In this regard the Municipality administers development projects in every single Ward, some admittedly with more success than in the case of others. These projects have tangible results in the form of job creation and producing products and services.

We have been instrumental in training our residents to cultivate productive gardens, to make furniture and traditional artifacts, to bake tasty breads and cakes, to become computer literate, to weave more baskets, to farm animals more productively, to sew and plan their futures through training in business methods. Indeed, a better life for all. But there is more to it than that.

Projects give a visible content to the concept of democracy. While the projects certainly involve constituents at every level, the fact that they exist is due to making democracy a concrete concept in Mbonambi. Each Ward Councillor is involved in them and he or she is the living link between an abstract idea of democracy and the fruits, which they bring to the residents. In a general sense this Council's administration of the Mbonambi Municipality can be said to reflect a deep concern for the concept of government by the people, for the people.

We have built more crèches, updated more roads, improved water and sanitation services and at the same time applied less popular measures, like the Property Rates Act, with understanding and lenience. At the same time we have encouraged and maintained a multi-party system in our Council's political administration and here I would be remiss if I did not mention the excellent relationship that the governing majority in Council has with our Opposition in Council when it comes to debating matters which are for the good of our residents.

Mbonambi Municipality is a bright light for all in South Africa to see when it comes to showing how a new local authority can be successfully run!

M E Mthethwa

.....
Cdr. E.M. Mthethwa
Chairman of the Executive Committee

**MBONAMBI MUNICIPALITY
MUNICIPAL MANAGER'S REPORT**

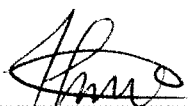
We are proud to announce that we are continuing to achieve good results in the service of the Mbonambi Community. These results speak for themselves and have been well featured in our last performance review, which was presented with the Annual Report for 2003/2004. It is however time to point out to residents and the public at large that the plight of the smaller rural local authorities which have inherited vast rural areas in terms of the demarcations are starting to show strain because of the great expectations from our rural constituents.

Greater frustration among these constituents is being addressed by numerous projects and development schemes on which the Mayor expands in his Foreword. The point is that the state's contribution at this point, while welcome and indispensable, must be increased in order for the state and the local authorities to mesh together to achieve national policies of development. Mbonambi has shown beyond any shadow of a doubt that it is well able and more than willing to implement the state's policies of national development through the agency of local government.

Our tax base is far too narrow to harvest sufficient tax funds for this purpose and the Council is going all out to attract investments and developments both local and foreign. It is therefore essential that our equitable share funding from the national government be increased. This Council follows strict financial policies and never over-extends itself in addressing the vast needs which our constituents have.

We have furthermore been grappling with the implications of the application of the Property Rates Act and through prudent measures we have done everything permitted by legislation to relieve the increased tax burden on our ratepayers. We are being soundly praised for these measures, which are a signal indication that we care greatly for the job creating agricultural centres around us and for our town dwellers.

The Council also needs to be thanked for its commitment in staying with budgetary limits and only providing for the most pressing needs as dictated by the financial constraints within its operation.



M.H. Nkosi
MUNICIPAL MANAGER

MBONAMBI MUNICIPALITY
CHIEF FINANCIAL OFFICER'S REPORT

The municipality strived to meet its mandates by adopting the budget for 2007/2008 as per requirements of MFMA. The Municipality conducted road shows in promotion of public participation which was a great success.

The summary of 2007/2008 income and expenditure is as follows, for more details refer to Appendix D and E.

1. OPERATING RESULTS

for the year ended 30 June 2008 are as follows.

	Actual 2008 R	Budget 2008 R	Variance Actual/ Budget %	Actual 2007 R	Variance Actual/ Budget %
INCOME					
Opening Surplus		-			
Operating Income for the year	43,150,394	44,696,913	-3.46%	34,242,608	30.53%
Appropriation	(3,116,048)	-	-	-	-
Closing deficit	16,118,444	-	-	7,130,468	-
	56,152,789	44,696,913	25.63%	41,373,076	8.03%
EXPENDITURE					
Opening deficit	7,130,468	-	-	3,995,668	-
Expenditure for the year	49,022,321	44,696,913	9.68%	37,377,408	19.58%
Closing surplus	-	-	-	-	-
	56,152,789	44,696,913	25.63%	41,373,076	-53.52%

1.1 Rate and General Service
Community Service

	Actual 2008 R	Budget 2008 R	Variance Actual/ Budget %	Actual 2007 R	Variance Actual/ Budget %
Income	43,150,394	44,696,913	-3.46%	34,242,608	-23.39%
Operating Expenditure	47,070,934	44,696,913	5.31%	37,377,408	-16.38%
Capital Expenditure	-	-	-	-	0.00%
					0.00%
Surplus / Deficit	(5,871,928)	0	-	(3,134,800)	0.00%
Surplus / Deficit as % of Income	-13.61%	0.00%	0.00%	-9.15%	

MBONAMBI MUNICIPALITY

	2008	2007
	R	R
2. CAPITAL EXPENDITURE		
Capital Expenditure	<u>7,842,226</u>	<u>7,824,466</u>
ASSET FINANCING FUND		
CAPITAL RECEIPTS		
Contributions from ex-operating income	4,174,541	775,045
Grants & Subsidies	4,398,862	6,959,421
Sale of Fixed Assets	-	90,000
	<u>8,573,403</u>	<u>7,824,466</u>

for more details on the capital expenditure please see Appendix c

3. EXTERNAL LOANS, INVESTMENTS AND CASH

Bank	-5,639,636	766,700
	<u>-5,639,636</u>	<u>766,700</u>

4. FUNDS AND RESERVES


Accumulated Funds	3,434,787	3,434,787
Trust Funds	11,260,125	7,698,646
Provision	1,124,983	922,492
	<u>15,819,895</u>	<u>12,055,925</u>

More information relating to funds and reserves are shown in note 1, 2, 5 and 6 of the financial statements and in appendix A.

EXPRESSION OF APPRECIATION

I wish to thank the support staff of Mbonambi Local Municipality for the support they have given me in preparation of the 2008 Financial Statements. And thank Guarantee Trust Zululand for their assistance and support.

I further wish to commend the Audit team for their assistance which made these Statements a success.



Chief Financial Officer
Mbonambi Municipality

MBONAMBI MUNICIPALITY

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

- 1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on Published Annual Financial Statements (Second edition - January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for fixed assets as more fully detailed in Accounting Policy note 3.
- 1.3 The financial statements are prepared on the accrual basis as stated:
- (i) Income is accrued when measurable and available to finance operations. Certain direct income is accrued when received and /or when the amount can be measured with certainty.
 - (ii) Expenditure is accrued in the year it is incurred.
- 1.4 All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations.
- 1.5 The Accounting Policies note number 11 is reflected as being consistent to those that were applied in previous year's.

2 CONSOLIDATION

The financial statements include rates and general services, equitable share, trading services and the different funds and reserves. All inter departmental charges are set-off against each other.

3 FIXED ASSETS

- 3.1 *Fixed assets are stated:*
- (i) at historical cost, or
 - (ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, while they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated life as determined by the Municipality.
- 3.2 *Depreciation*
- The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful life. Apart from advances from the various council funds, assets may also be acquired through:
- (i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against the operating income, and therefore it is unnecessary to make any further provision for depreciation.
 - (ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other capital Receipts" account.
- 3.3 All net proceeds from the sale of fixed property are credited to the Puplic Improvement Fund. Net proceeds from the sale of all assets are credited to a Capital Development Fund
- 3.4 Fixed assets are financed from different sources, including external loans, operating income and internal advances. These loans and advances are repaid within the estimated lives of the assets acquired from such loans or advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time that the advance is made.

4 INVENTORY

Inventory is valued at lower of cost, determined on the weighted average basis or net realisable value.

5 FUNDS AND RESERVES

- 5.1 *Capital Development Fund*

The Local Government Ordinance, Natal, No. 25 of 1974, requires a minimum contribution of 3.0% of the defined income of local authority to the immediately preceding financial year.

MBONAMBI MUNICIPALITY**5.2 Public Improvement Fund**

The Public Improvement Fund provides for the future township development. All developments costs as defined in section 103 (3) (d) of the Local Government Ordinance, Natal, No. 25 of 1974, are debited against the fund. All proceeds from sale of developed land are credited as income for the fund.

5.3 Leave Provision

A provision equal to the actual leave credit as at 30 June 2008 is maintained to provide for leave payments on request. Contributions are made from the operating account.

5.4 Bad Debt Provision

A provision equal to the anticipated risk as at 30 June is maintained to provide for bad debts. Contributions are made from the rates and general account based on outstanding debtors more than ninety days.

5.5 Trust Funds

Trust funds are maintained to ensure that grants received for a specific purpose are recorded.

6 RETIREMENT BENEFITS

Mbonambi Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs.

Full actuarial valuations are performed at least every three years. The last valuation was done on 31 March 2008

7 LEASED ASSETS

Leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

8 INVESTMENTS

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

9 INCOME RECOGNITION**9.1 Assessment Rates**

Assessment Rates are levied on land and improvement value of property at a differential rate. Rebates are granted according to the use to which a particular property is put to.

10 SURPLUSES AND DEFICITS

The Unappropriated Surplus is maintained as an Operating cash reserve, to fund expenditure during the financial year, prior to the collection of revenue. It may also be utilized to fund projects that the council may deem necessary to fund.

11 INTEREST

All interest received will be posted to the operating income and shall not be posted to trust funds, statutory funds and reserves unless stated condition as grant.

MBONAMBI MUNICIPALITY

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MBONAMBI MUNICIPALITY
BALANCE SHEET AS AT 30 JUNE 2008

	Notes	2008 R	2007 R
CAPITAL EMPLOYED			
FUNDS AND RESERVES		3,434,787	3,434,787
Statutory Funds	1	3,434,787	3,434,787
(ACCUMULATED DEFICIT)/RETAINED /INCOME	12	-16,118,444	-7,130,468
		-12,683,657	-3,695,681
TRUST FUNDS	2	11,260,125	7,698,646
LONG-TERM LIABILITIES			
CONSUMER DEPOSITS	3	8,464	8,464
		-1,415,068	4,011,429
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	4	-	-
NET CURRENT ASSETS		-1,415,068	4,011,429
CURRENT ASSETS		7,329,524	5,897,438
Inventory		-	-
Debtors	5	7,329,524	5,897,438
CURRENT LIABILITIES		8,744,592	1,886,009
Provisions	6	314,292	111,801
Creditors	7	2,790,662	1,007,508
Bank Overdraft	16	5,639,637	766,700
		-1,415,068	4,011,429

**INCOME STATEMENT FOR THE YEAR
ENDED 30 JUNE 2008**

	2007 Actual income R	2007 Actual expenditure R	2007 Surplus / (Deficit) R		2008 Actual income R	2008 Actual expenditure R	2008 Surplus / (Deficit) R	2008 Budget Surplus / (Deficit) R
RATES & GENERAL SERVICES	29,234,580	35,630,666	(6,396,086)		43,150,394	47,558,278	(4,407,884)	-
- Community Services	29,104,166	35,628,965	(6,524,799)		42,982,974	47,510,737	(4,527,763)	-
- Subsidized Services	225	1,701	(1,476)		-	47,541	(47,541)	-
- Economic Services	130,189	-	130,189		167,420	-	167,420	-
TRADING SERVICES	5,008,028	1,746,742	3,261,286		-	1,464,043	(1,464,043)	-
Trading Services	5,008,028	1,746,742	3,261,286			1,464,043	(1,464,043)	-
TOTAL	34,242,608	37,377,408	(3,134,800)		43,150,394	49,022,321	(5,871,928)	-
Appropriations for the year (refer to note 12)	-						(3,116,048)	
Net deficits for the year			(3,134,800)				(8,987,976)	
Accumulated deficit beginning of the year			(3,995,668)				(7,130,468)	
ACCUMULATED DEFICIT AT THE END OF THE YEAR			(7,130,468)				(16,118,444)	

(Refer to appendix D and E for more detail)

MBONAMBI MUNICIPALITY

CASH FLOW STATEMENT FOR THE

YEAR ENDED 30 JUNE 2008

	Note	2008 R	2007
CASH (UTILISED)/RETAINED FROM OPERATING ACTIVITIES		12,715,163	1,532,408
Cash utilised by operations	13	(21,175,446)	(30,699,797)
Investment Income	11	40,281	72,753
(Increase)/decrease in working capital	14	351,069	(2,406,647)
		(20,784,097)	(33,033,691)
Less: External interest paid	11	-	-
Cash utilised from operations		(20,784,097)	(33,033,691)
Contributions from Public or the State		33,499,260	34,476,099
Proceed on Disposal of Assets		-	90,000
CASH UTILIZED IN INVESTING ACTIVITIES		(7,842,226)	(7,824,466)
Investment in Fixed Assets		(7,842,226)	(7,824,466)
Decrease in Long Term Debtors		-	-
NET CASH (UTILISED)/GENERATED		4,872,938	(6,292,058)
CASH EFFECTS OF FINANCING ACTIVITIES			
Decrease /(Increase) in Cash Investments	15	-	4,035,639
Increase/ (Decrease) in Deposits		-	10,850
Decrease /(Increase) in Cash	16	(4,872,937)	2,245,569
NET CASH GENERATED		(4,872,937)	6,292,058

MBONAMBI MUNICIPALITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
1. STATUTORY FUNDS		
Capital Development Fund	731,976	731,976
Public Improvement Fund	2,702,811	2,702,811
(Refer to appendix A for more detail)	3,434,787	3,434,787
2. TRUST FUNDS		
Transitional Grant (Phase II)	92,523	92,523
Integrated Development Grant	103,672	103,672
Municipal Structures Improvement Grant	32,752	32,752
Assistance Grant - Councilors	189,720	189,720
Assistance Grant - Tax	625,000	625,000
Human Resources Support Grant	73,862	73,862
Grant - Community Communication Initiative	50,000	50,000
Community Hall - Khenani ward 7	9,000	9,000
Bus Shelter - Hlanzeni ward 1	265,279	265,279
Sebokwe Trust	250,000	250,000
Lums Grant	402,081	402,081
MUN.DEVELOP. SYST. SUPP	252,818	252,818
PMS GRANT	40,000	50,000
MUN.DEV. PLAN CAPACITY	46,213	46,213
SPATIAL PLANNING GRANT	30,000	30,000
DEV ADMIN CAPACTY BUILD	250,000	250,000
TECH SUPP INFRUST BACKLOG	6,268	6,268
GOV. STRUCT, HR & PUBL PART	236,000	305,255
Panel Support	60,723	60,723
Mayoral Projects	0	1,052,500
IDM Grant	257,742	257,742
IDT Grant	24,200	24,200
PROJECT CONSOLIDATE	4,478,274	2,810,095
MSIG	388,372	139,224
MFMA-NATIONAL	506,439	27,539
MAP GRANT	0	32,762
FREE BASIC ELECTRICITY	0	195,231
MFMA-PROVINCE	64,187	64,187
AGRICULTURAL GRANT	850,000	0
TOURISM GRANT	350,000	0
CULTURAL VILLAGE GRANT	1,000,000	0
SPORT AND RECREATION	325,000	0
(Refer to appendix A for more detail)	11,280,125	7,698,646

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
3. DEPOSITS		
Services	2,812	2,812
Other	5,652	5,652
	8,464	8,464
4. FIXED ASSETS		
Asset Acquisition		
Fixed assets at the beginning of the year	18,514,440	10,792,492
Capital expenditure during the year	7,842,226	7,824,466
Less: Assets written off, transferred or disposed of during the year	-175,501	-102,518
Total fixed assets	26,181,164	18,514,440
Less: Loans redeemed and other capital receipts	26,181,164	18,514,440
Net fixed assets	-	-
(Refer to appendix "C" and section 2 of the Treasurers Report for more details on fixed assets)	7,842,226	7,824,466
Fixed assets are resources owned by the Council from which future economic benefits are expected to flow. All assets are capitalized. Fixed assets are financed by grants, subsidies and revenue.		

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008	2007
	R	R
5. DEBTORS		
Current debtors(Consumers and other)	3,139,590	1,201,906
Interest Receivable	0	9,457
Other Municipalities	0	4,402
Receiver of Revenue (Value Added Tax)	1,987,858	467,430
Billing Refund	34,626	
Housing Grant	273,468	1,308,533
Map	96,397	
Inter Departmental Monitoring Grant	1,112,560	
CDW Funding	0	1,663
Gis	0	60,200
Trust/MAF	0	47,438
GIJIMA KZN	0	112,540
INTERNAL AUDIT GRANT	0	628,209
PROPERTY RATE	0	802,184
Lums	0	46,863
IDP Grant	0	557,646
MIG GRANT	1,348,200	167,352
LIBRARY GRANT	147,525	142,172
Slovo Road	0	1,150,134
	8,140,215	6,708,129
	810,691	810,691
Less: Provisions for bad Debts		
Net current debtors	7,329,524	5,897,438

6. PROVISIONS

Leave	314,292	111,801
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7. CREDITORS

Trade Creditors	0	-89,414
Salary Suspense	110,485	75,860
Trade Creditors - State Cheques	2,185,011	525,896
Uthungulu DM Trust	495,166	495,166
	2,790,662	1,007,508

8. ASSESSMENT RATES

Rateable Land	3,379,457	857,279
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Valuations on land are performed every five years. The basic rate was 5.18 cents per rand on land only.

The State receives a discount of 20% on their properties. The fixed date for the Valuation Roll was 01 July 2007.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
9. COUNCILLORS' REMUNERATION and SENIOR MANAGERS		
Mayor's allowance	193,759	182,792
Deputy Mayor's Allowance	162,153	152,974
Speaker's Allowance	162,153	152,974
Executive Committee Allowance	443,749	418,631
Councillors' allowance	2,032,810	1,917,746
Total Councillors' Remuneration	2,994,624	2,825,117
SENIOR MANAGERS		
Municipal Manager	616,664	570,985
Chief Financial Officer	465,200	430,741
Director Corporate Services	465,200	430,741
	1,547,064	1,432,467
10. AUDITORS' REMUNERATION		
Paid during the year	483,115	271,831
Total Auditors' remuneration	483,115	271,831
11. FINANCE TRANSACTIONS		
Total external interest earned		
Interest earned	40,281	72,753
	40,281	72,753
12. APPROPRIATIONS		
Net Appropriation account		
Accumulated surplus/(deficit) at the beginning of the period	-7,130,468	-3,995,668
Operating surplus for the period	-8,987,976	-3,134,800
Appropriations for the year	-5,871,928	-3,134,800
Prior Year adjustments	-3,116,048	0
Accumulated surplus/(deficit) at the end of the period	-16,110,444	-7,130,468
Operating account		
Capital expenditure	4,174,541	775,045
Contributions to:	18,993,847	14,738,592
- Provisions	483,225	64,989
- Trust Funds	18,510,622	14,573,821
- Capital Development Fund	0	99,782
	23,168,388	15,513,637

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2008 R	2007 R
13. CASH (UTILISED)/GENERATED BY OPERATIONS		
Net surplus or (deficit) for the year	-5,871,928	-3,134,800
Adjustment for:		
Appropriations for previous year	-3,116,048	0
Appropriations charged against income and Contributions	18,993,847	15,513,637
Capital Development fund	0	99,782
Provisions	483,225	64,989
Trust Funds	18,510,622	14,573,821
Fixed Assets	0	775,045
Investment Income	-40,281	-72,753
Non operating income		
Grants and Subsidies	-31,407,171	-27,814,314
Non operating expenditure		
Trust Funds	546,869	-15,191,567
Reserves	0	0
Provisions	-290,734	0
	-21,175,448	-30,699,797
14. (INCREASE)/DECREASE IN WORKING CAPITAL		
Increase in debtors	-1,432,086	-2,322,286
Decrease in creditors	1,783,154	-84,362
	351,069	-2,406,648
15. DECREASE IN INVESTMENTS		
Investment beginning of the year	0	4,035,639
Investment end of the year	0	0
Net decrease in cash equivalents	0	4,035,639
16. DECREASE IN CASH ON HAND		
Cash balance beginning of the year	766,700	1,478,869
-Cash on hand	0	0
-Cash in bank	766,700	1,478,869
Less: Cash balance at the end of the period	5,639,637	766,700
-Cash on hand	-1,777	-1,777
-Cash on Hand - Absa	-395,425	-51,589
-Cash at Bank	6,036,840	820,066
	4,872,937	2,245,569

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

	2006 R	2007 R
17. CAPITAL DEVELOPMENT FUND		
Accumulated Funds (Appendix A)	731,976	731,976
Balance available for External Investment	<u>731,976</u>	<u>731,976</u>
18. PUBLIC IMPROVEMENT FUND		
Accumulated Funds (Appendix A)	2,702,811	2,702,811
Less: Funds Invested in fixed assets (Appendix C)		
Balance available for External Investment	<u>2,702,811</u>	<u>2,702,811</u>
19. RETIREMENT BENEFITS		
Employees belong to the following funds within the Natal Joint Municipal Pension/Provident Funds which provide retirement benefits to such employees. This is a compulsory benefit.		
(i) Natal Joint Municipal Pension Fund (retirement)		
(ii) Natal Joint Municipal Pension Fund (superannuation)		
(iii) Natal Joint Municipal Pension Fund (provident)		
(iv) Municipal Councils Pension Fund		
The retirement plan is subject to the Pension Fund Act 1956 with pensions being calculated on the final pensionable remuneration paid. Current contributions are charged against operating income on the basis of current service costs.		
Full actuarial valuation are performed at least every three years. The latest independent valuation of the funds, which indicated that the funds were in a sound financial position, was undertaken on 31 March 2008		
20. CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
Approved and contracted for	0	0
Approved but not yet contracted for	12,147,270	7,040,200
	<u>12,147,270</u>	<u>7,040,200</u>
This expenditure will be financed from:		
Internal sources	0	0
External sources	0	0
Grants and Subsidies	12,147,270	7,040,200
	<u>12,147,270</u>	<u>7,040,200</u>
21. CONTINGENT ASSETS		
	<u>0</u>	<u>0</u>

22. GOING CONCERN

Turnaround Strategy

The Municipality is being owed more than 65million (outstanding traffic fines). Exco in November 27, resolved to reduce the fines by 50%. Sale of Erf 15977 to Empophomani for R5,2 million has been paid at registration.

The sale of property No: Erf 793 by Rich Rewards for a market value of R10 million the agreement has been signed.

With these broad economic turnaround strategies the Municipality should be very liquid.

APPENDIX A

STATUTORY FUNDS, RESERVES, TRUST FUNDS AND PROVISIONS FOR THE YEAR ENDED 30 JUNE 2008

	Balance at 01/7/2007 R	Contributions during the year R	Interest on investment R	Other income R	Operational expenditure during the year R	capital expenditure during the year R	Balance at 30/06/2008 R
STATUTORY FUNDS							
Capital Development Fund	731,976	-	-	-	-	-	731,976
- Rates & General Services	731,976	-	-	-	-	-	731,976
- Water	-	-	-	-	-	-	-
Public Improvement Funds	2,702,811	-	-	-	-	-	2,702,811
	3,434,787	-	-	-	-	-	3,434,787
TRUST FUNDS							
Transitional Grant (Phase II)	92,523	-	-	-	-	-	92,523
Integrated Development Grant	103,672	-	-	-	-	-	103,672
Municipal Structures Improvement Grant	32,752	-	-	-	-	-	32,752
Assistance Grant - Councilors	189,720	-	-	-	-	-	189,720
Assistance Grant - Tax	625,000	-	-	-	-	-	625,000
Human Resources Support Grant	73,962	-	-	-	-	-	73,962
Grant - Community Communication Initiative	50,000	-	-	-	-	-	50,000
Community Hall - Khensani ward 7	9,000	-	-	-	-	-	9,000
Bus Shelter - Khensani ward 1	265,279	-	-	-	-	-	265,279
Sebokwe Trust	250,000	-	-	-	-	-	250,000
Lums Grant	402,081	-	-	-	-	-	402,081
MUN.DEVELOP. SYST. SUPP	252,818	-	-	-	-	-	252,818
PMS GRANT	50,000	-	-	-	10,000	-	40,000
MUN.DEV. PLAN CAPACITY	46,213	-	-	-	-	-	46,213
SPATIAL PLANNING GRANT	30,000	-	-	-	-	-	30,000
DEV ADMIN CAPACITY BUILD	250,000	-	-	-	-	-	250,000
TECH SUPP INFRUST BACKLOG	6,268	-	-	-	-	-	6,268
GOV. STRUCT. HR & PUBL PART	305,255	-	-	-	69,255	-	236,000
Panel Support	60,723	-	-	-	-	-	60,723
Mayoral Projects	1,052,500	1,891,130	-	-	2,943,630	-	0
IDM Grant	257,742	-	-	-	-	-	257,742
IDT Grant	24,200	-	-	-	-	-	24,200
PROJECT CONSOLIDATE	2,810,095	3,000,000	-	-	1,331,821	-	4,478,274
MSIG	130,224	734,000	-	-	484,952	-	388,372
MFMA-NATIONAL	27,539	500,000	-	-	21,100	-	506,439
MAP GRANT	32,762	100,000	-	-	132,762	-	-
FREE BASIC ELECTRICITY	195,231	1,968,295	-	-	2,163,526	-	-
MFMA-PROVINCE	64,187	-	-	-	-	-	64,187
AGRICULTURAL GRANT	-	850,000	-	-	-	-	850,000
TOURISM GRANT	-	350,000	-	-	-	-	350,000
CULTURAL VILLAGE GRANT	-	1,000,000	-	-	-	-	1,000,000
SPORT AND RECREATION	-	325,000	-	-	-	-	325,000
	7,698,646	10,738,425	-	-	7,176,946	-	11,260,125
PROVISIONS							
Accounting & Audit Fees	-	-	-	-	-	-	-
BAD DEBTS	810,690.93	-	-	-	-	-	810,691
Leave	111,801	483,225	-	-	280,734	-	314,292
	922,492	483,225	-	-	280,734	-	1,124,963
TOTAL	12,955,925	11,221,650	-	-	7,457,680	-	15,819,885

MBONAMBI MUNICIPALITY

APPENDIX C : ANALYSIS OF FIXED ASSETS FOR THE YEAR ENDED 30 JUNE 2008

Expenditure 2007 R	Service R	Budget 2008 R	Balance at 01.07.2007 R	Expenditure 2008 R	Written off transferred R	Balance at 30.06.2008 R
5,062,601	Land and Buildings	0	9,246,163	5,054,743	0	14,300,906
5,062,601	Buildings	0	9,235,084	4,899,395	0	14,134,479
0	Land	0	3,407	155,348	0	158,755
0	Public Conveniences	0	7,672	0	0	7,672
1,773,140	Movable Assets	95,000	5,623,316	2,523,808	-175,501	7,971,623
178,223	Furniture and Equipment	95,000	1,464,319	908,704	-16,674	2,356,349
224,600	Computers		691,989	18,100	0	710,089
1,359,414	Vehicles		2,193,148	0	-131,558	2,061,590
10,903	Plant & Equipment	0	1,273,860	1,597,004	-27,269	2,843,595
988,725	Roads & Stormwater	0	2,851,822	263,675	0	3,115,496
907,795	Roads & Streets	0	2,705,526	263,675	0	2,969,201
0	Road signs	0	11,209	0	0	11,209
80,930	Stormwater Drains	0	135,087	0	0	135,087
0	Parks & Recreation	0	52,936	0	0	52,936
0	Grounds & Fences	0	52,936	0	0	52,936
0	Miscellaneous	0	583,503	0	0	583,503
0	Sundry Works	0	583,503	0	0	583,503
0	Sanitation	0	20,536	0	0	20,536
0	Sewerage	0	20,536	0	0	20,536
0	Water Service	0	0	0	0	0
0	Water Service		0	0	0	0
0	Housing Services	0	136,164	0	0	136,164
0	Housing Services		136,164	0	0	136,164
0	Public Improvements	0	0	0	0	0
0	Public Improvements					
7,824,466	TOTAL FIXED ASSETS	95,000	18,514,440	7,842,226	-175,501	26,181,164
ASSET FINANCING FUND						
7,824,466	CAPITAL RECEIPTS	95,000	18,514,440	8,573,403	-906,678	26,181,164
0	Loans redeemed & Advance paid	0	855,055	0	0	855,055
775,045	Contributions from ex-operating income	95,000	3,455,265	4,174,541	-14,599	7,615,207
6,959,421	Grants & Subsidies	0	13,986,377	4,398,862	-892,079	17,493,160
0	Public Contributions	0	120,136	0	0	120,136
90,000	Sale of Assets	0	97,607	0	0	97,607
0	Miscellaneous	0	0	0	0	0
0	NET FIXED ASSETS	0	0	-731,177	731,177	0

MBONAMBI MUNICIPALITY

APPENDIX D

ANALYSIS OF OPERATING INCOME AND EXPENDITURE
FOR THE YEAR ENDING 30 JUNE 2008

Actual 2007 R		Actual 2008 R	Budget 2008 R
	INCOME		
	Government and Provincial grants and subsidies		
27,814,314		31,407,171	35,035,760
13,712,982	- Equitable share	14,916,407	14,916,000
14,101,332	- National / Provincial Government	16,490,764	20,119,760
5,995,696	Operating Income	10,606,893	8,858,000
857,279	- General Rates	3,379,457	5,200,500
200	- Rates Clearance Certificates	-	-
480	- Water services	-	-
130,189	- Refuse Removal	167,420	157,500
5,007,548	- Tarrif Fines	7,060,016	3,500,000
359,845	Other income	1,096,048	350,250
37,650	- Tender Monies	300	100,000
233,767	- Miscellaneous Income	955,699	150,000
88,428	- Rent Internal	70,027	74,000
-	- Discount Received	-	26,250
-	Proceeds on Sale of Assests	70,023	-
72,753	Interest earned	40,281	452,903
34,242,608	TOTAL INCOME	43,150,394	44,696,913
	EXPENDITURE		
	OPERATING EXPENDITURE		
11,748,178	Salaries, wages and allowances	16,632,723	14,874,681
-	Water Purchases	-	-
8,513,063	General expenses	10,650,873	7,888,484
1,602,530	Repairs and maintenance	730,232	2,140,000
-	Capital charges	-	-
775,045	Contributions to fixed assets	63,258	1,059,200
14,573,821	Contributions to funds	18,510,622	18,110,000
164,771	Contributions to CDF & Leave	483,225	624,548
37,377,408	Gross operating expenditure	47,070,934	44,696,913
37,377,408	Less : Amounts recharged	47,070,934	44,696,913
	Net operating expenditure		
(3,134,800)	(DEFICIT)SURPLUS	(3,920,539)	-

MBONAMBI MUNICIPALITY

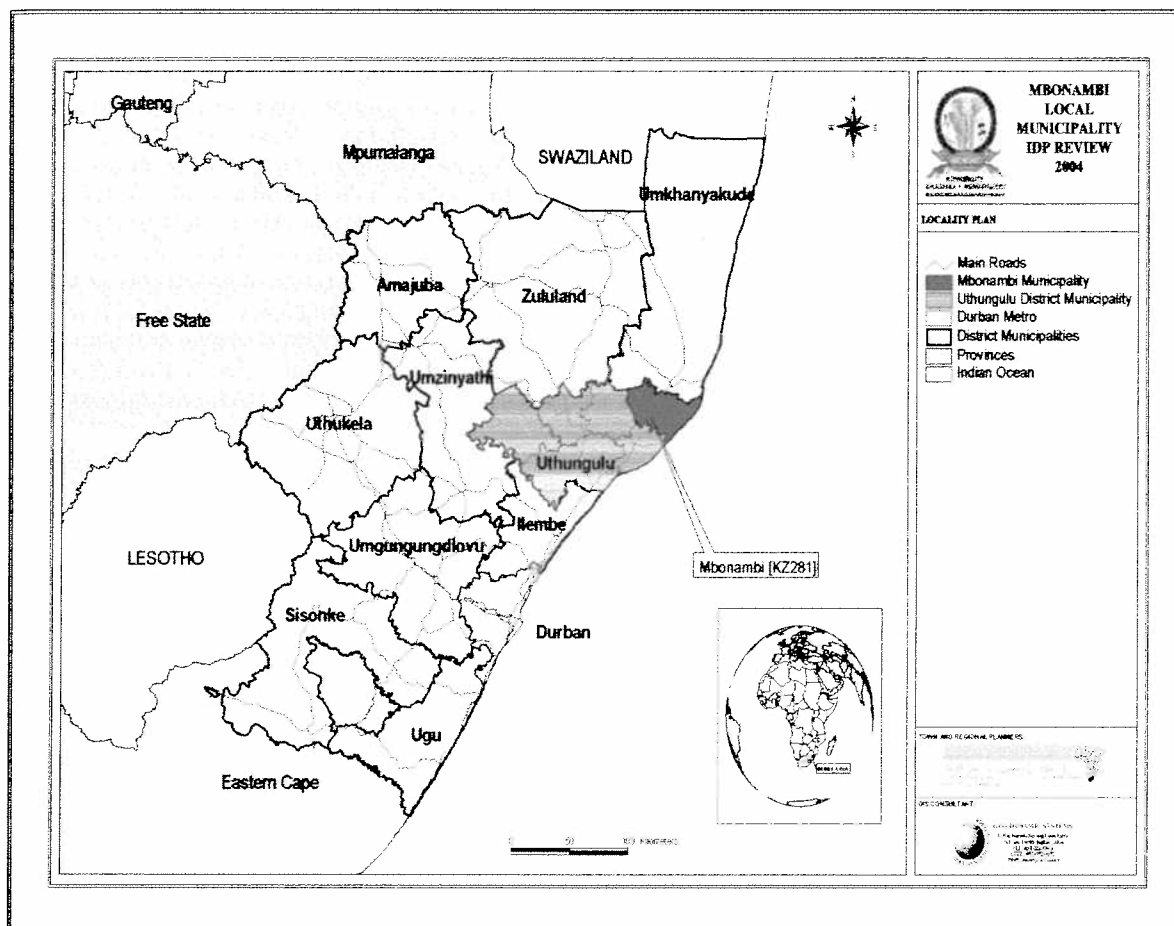
APPENDIX E : DETAILED INCOME STATEMENT FOR THE YEAR ENDING 30 JUNE 2008

2007 Actual income R	2007 Actual expenditure R	2007 Surplus/ (deficit) R		2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (deficit) R	2008 Budget Surplus/ (deficit) R
29,234,580	35,630,666	-6,396,086	RATES & GENERAL	42,982,974	47,510,737	-4,527,763	0
29,104,166	35,628,965	-6,524,799	COMMUNITY SERVICES	42,982,974	47,510,737	-4,527,763	0
0	0	0	Administration	0	0	0	0
0	12,657,837	-12,657,837	Council General Expenses	0	14,600,024	-14,600,024	0
857,279	148,027	709,252	Ass Rates	3,379,457	0	3,379,457	0
26,909,525	14,371,478	12,538,047	Financial Management	39,603,517	26,330,085	13,273,432	0
0	0	0	Health & Clinics	0	0	0	0
0	2,277,949	-2,277,949	Human Resources	0	2,666,811	-2,666,811	0
1,337,362	1,454,318	-116,956	Housing Projects	0	1,693,112	-1,693,112	0
0	4,710,414	-4,710,414	Technical Services	0	1,846,117	-1,846,117	0
0	8,942	-8,942	Community Services	0	374,589	-374,589	0
225	1,701	-1,476	SUBSIDISED SERVICES	0	47,541	-47,541	0
225	1,701	-1,476	Library	0	47,541	-47,541	0
130,189	0	130,189	ECONOMIC SERVICES	167,420	0	167,420	0
130,189	0	130,189	Refuse Removal	167,420	0	167,420	0
5,008,028	1,746,742	3,261,286	TRADING SERVICES	0	1,464,043	-1,464,043	0
480	0	480	Water	0	0	0	0
5,007,548	1,746,742	3,260,806	Traffic	0	1,464,043	-1,464,043	0
34,242,608	37,377,408	-3,134,800	TOTAL	43,150,394	49,022,321	-5,871,928	0
		0	Appropriations for the year (refer to note 12)			-3,116,048	
		-3,134,800	Deficit for the year			-8,987,976	
		-3,995,668	Accumulated deficit beginning of the year			-7,130,468	
		-7,130,468	Accumulated deficit at the end of year			-16,118,444	

Mbonambi Municipality

Appendix F for The Year Ended 30 June 2008

Statistical Information



Total Number of Wards	13
Total Number of Councillors	25
Total population	106943
Total number of registered voters	43962
Total number of voting district	49
Number of employees	34
Number of police stations	1
Number of Medical Facilities	8
Number of Schools	101
Number of square meters	120905.7 ha